

<b>TIMELINESS</b> 4 Lowered 1/28/00	High: 14.9 14.7 17.4 19.5 23.6 22.1 25.0 25.9 28.3 31.6 29.6 25.9	Target 2003	Price 2004	Range 2005
<b>SAFETY</b> 1 Raised 1/21/99	Low: 11.0 11.5 12.9 15.2 18.5 17.3 19.4 21.1 19.9 23.9 22.1 21.6			
<b>TECHNICAL</b> 3 Raised 11/5/99	<p><b>LEGENDS</b></p> <p>1.11 x Dividends p sh divided by Interest Rate</p> <p>Relative Price Strength</p> <p>2-for-1 split 3/94</p> <p>Options: Yes</p> <p>Shaded area indicates recession</p>			
<b>BETA</b> 45 (1.00 = Market)	<p><b>2003-05 PROJECTIONS</b></p> <p>Price Gain Return</p> <p>High 40 (+80%) 20%</p> <p>Low 35 (+60%) 16%</p> <p><b>Insider Decisions</b></p> <p>A M J J A S O N D</p> <p>Buy 0 0 0 0 0 0 0 0 0 0</p> <p>Sell 0 0 0 0 0 0 0 0 0 0</p> <p>Options 0 0 0 0 0 0 0 0 0 0</p> <p>To Sell 0 1 0 0 1 0 0 0 0 0</p> <p><b>Institutional Decisions</b></p> <p>10/1999 2Q/1999 3Q/1999</p> <p>To Buy 220 177 169</p> <p>To Sell 227 226 225</p> <p>Holdings 252546 247856 237363</p> <p>Percent 6.0</p> <p>shares 4.0</p> <p>traded 2.0</p>			
	<p><b>% TOT. RETURN 1/00</b></p> <p>THIS STOCK VS. ASETL INDEX</p> <p>1 yr. -1.0 7.0</p> <p>2 yr. 37.9 50.2</p> <p>5 yr. 61.5 117.2</p>			

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC.	03-05
12.25	12.67	12.02	11.87	11.46	11.87	12.63	12.75	12.76	13.21	12.63	13.70	15.30	18.41	16.32	17.30	18.60	20.15	Revenues per sh	23.40
2.57	2.67	2.70	2.55	2.67	2.85	2.86	2.77	3.04	3.13	3.22	3.52	3.64	3.90	4.25	3.90	4.35	4.75	"Cash Flow" per sh	5.55
1.50	1.60	1.59	1.36	1.36	1.34	1.30	1.24	1.51	1.57	1.52	1.66	1.68	1.58	1.73	1.83	2.00	2.15	Earnings per sh <sup>A</sup>	2.75
.92	.98	1.04	1.07	1.07	1.07	1.07	1.07	1.10	1.14	1.18	1.22	1.26	1.30	1.34	1.34	1.34	1.34	Div'd Decl'd per sh <sup>B</sup>	1.34
4.20	4.11	4.11	3.08	2.77	2.13	1.88	1.78	1.75	2.24	2.34	2.09	1.82	2.71	2.87	3.75	3.90	3.55	Cap'l Spending per sh	3.55
9.28	9.92	10.55	10.44	10.59	10.87	10.74	11.05	11.43	11.96	12.46	13.09	13.61	14.08	14.02	14.10	14.45	14.95	Book Value per sh <sup>C</sup>	18.55
500.10	537.77	569.83	590.83	631.30	631.31	631.31	631.31	632.92	642.66	657.00	670.00	677.00	695.00	698.63	670.00	645.00	620.00	Common Shs Outst'g <sup>D</sup>	620.00
5.4	6.4	7.6	8.9	8.2	9.6	9.9	11.5	11.5	13.5	12.9	13.2	13.8	14.0	15.7	14.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.5
50	52	52	60	68	73	74	73	70	80	85	88	86	81	82	82			Relative P/E Ratio	90
11.3%	9.6%	8.6%	8.9%	9.6%	8.3%	8.3%	7.5%	6.3%	5.4%	6.0%	5.6%	5.5%	5.9%	4.9%	5.1%			Avg Ann'l Div'd Yield	3.6%
CAPITAL STRUCTURE as of 9/30/99						7975.0	8050.0	8073.0	8480.0	8297.0	9180.0	10358	12611	11403	11585	12000	12500	Revenues (\$mill)	14500
Total Debt \$15,371 mill. Due in 5 Yrs \$7,140 mill.						937.0	886.0	1057.0	1095.0	1076.0	1191.0	1234.0	1245.0	1372.0	1425	1520	1560	Net Profit (\$mill)	1905
LT Debt \$11,510 mill. LT Interest \$800.0 mill.						34.1%	38.6%	36.5%	38.9%	38.9%	39.2%	37.8%	36.9%	24.1%	35.0%	35.0%	35.0%	Income Tax Rate	35.0%
(LT interest earned: 3.3%)						16.0%	7.4%	2.1%	2.0%	2.7%	2.1%	1.9%	1.6%	1.5%	2.0%	1.5%	1.5%	AFUDC % to Net Profit	1.5%
Pfd Stock \$2,429 mill. Pfd Div'd \$200.0 mill.						51.0%	49.0%	45.7%	45.1%	44.1%	44.9%	42.8%	46.4%	45.9%	48.4%	48.0%	50.0%	Long-Term Debt Ratio	50.0%
Incl. 1,350,000 shs 4.2%-7.0%, cum. pfd., \$100 par; 8 mill shs 5.2%-6.8%, cum. pfd., \$25 par; \$235 mill. 6.85%-7.00%, mand. redeem. pfd.; \$297 mill. 7.13%-7.38%, mand. redeem. pfd.; \$415 mill. 7.60%-7.63%, mand. redeem. pfd.; \$649 mill. 7.75%, mand. redeem. pfd.; \$583 mill. 8.14%-9.00%, mand. redeem. pfd., all \$25 liq. val.						40.9%	42.8%	45.7%	46.8%	47.6%	47.4%	49.7%	43.5%	42.9%	40.5%	39.0%	39.0%	Common Equity Ratio	40.5%
Common Stock 673,093,100 shs. as of 10/31/99						16599	16301	15834	16429	17211	18510	18553	22158	22817	23560	23455	23825	Total Capital (\$mill)	28230
MARKET CAP: \$14.8 billion (Large Cap)						16811	16609	16489	20013	21117	23026	23269	23652	24124	25765	27375	28800	Net Plant (\$mill)	33063
ELECTRIC OPERATING STATISTICS						8.0%	7.8%	8.8%	8.5%	7.9%	7.7%	8.1%	7.1%	7.6%	7.5%	8.0%	8.0%	Return on Total Cap'l	8.0%
						11.5%	10.7%	12.3%	12.1%	11.2%	11.7%	11.6%	10.5%	11.1%	12.0%	12.5%	13.0%	Return on Shr. Equity	13.5%
						12.1%	11.2%	13.2%	13.0%	12.1%	12.6%	12.2%	11.2%	12.2%	13.0%	14.0%	14.5%	Return on Com Equity <sup>E</sup>	15.0%
						2.2%	1.5%	3.6%	3.6%	2.7%	3.3%	3.0%	2.0%	2.7%	3.5%	5.0%	5.5%	Retained to Com Eq	7.5%
						84%	88%	76%	75%	79%	75%	77%	84%	81%	77%	70%	66%	All Div'ds to Net Prof	54%

	1996	1997	1998
% Change Retail Sales (RWH)	+3.3	+1.1	+6.2
Avg. Indust. Use (MWH)	3106	3387	3689
Avg. Indust. Revs. per RWH (\$)	4.04	3.95	4.10
Capacity at Peak (Mw)	31076	31146	31167
Peak Load, Summer (Mw)	27190	27334	28934
Annual Load Factor (%)	62.3	59.4	60.0
% Change Customers (yr-end)	+2.0	+2.1	+2.0

Fixed Charge Cov. (%)	290	226	190
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ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '03-'05
Revenues	3.5%	5.5%	6.0%
"Cash Flow"	4.0%	5.5%	6.0%
Earnings	1.5%	3.0%	9.0%
Dividends	2.0%	3.5%	.5%
Book Value	3.0%	4.0%	5.0%

Calendar	QUARTERLY REVENUES (mil.) <sup>a</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1997	2585	2717	4071	3238	12611
1998	2495	2913	3457	2538	11403
1999	2442	2791	3736	2616	11585
2000	2535	2900	3880	2685	12000
2001	2650	3020	4035	2795	12500

Calendar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1997	.28	.31	.71	.28	1.5
1998	.34	.38	.74	.27	1.7
1999	.32	.45	.89	.17	1.8
2000	.37	.50	.90	.23	2.0
2001	.40	.54	.94	.27	2.2

Calendar	QUARTERLY DIVIDENDS PAID <sup>a</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1996	.315	.315	.315	.315	1.26
1997	.325	.325	.325	.325	1.30
1998	.335	.335	.335	.335	1.34
1999	.335	.335	.335	.335	1.34
2000	.335				

**BUSINESS:** The Southern Company's five operating subsidiaries supply electricity to about 122,000 square miles of Georgia (52% of 1998 revs.); Alabama (35%); Florida (7%); and Mississippi (6%). Revenue distrib. ('98): residential, 38%; industrial, 28%; commercial, 33%; other, 1%. Textile, chemical, and paper companies are largest customer groups, accounting for the bulk of industrial revenue.

**Though not now timely, top-quality Southern stock holds good long-term appeal for utility investors. As borrowing rates rise, utility stocks, Southern included, have realized downward price pressure. Indeed, this stock is currently trading at a 52-week low. Still, given Southern's solid business prospects, both in the regulated and nonregulated arenas, we believe that utility investors will be well-rewarded over the pull to 2003-2005. Management is building an enormous physical generating base. The goal is to establish 24 gigawatts of low-cost capacity within a few years. Southern is busy acquiring and building plants. The focus is on raising the proportion of natural gas operations, which are generally cleaner and more efficient than other fossil-fueled (coal and oil) facilities. At the same time, the company is busy expanding its energy trading and marketing capabilities. As deregulation spreads across the U.S., revenues and net profits should quickly rise, in all likelihood, faster than the industry averages. Currently, Southern's dependable regulated power business, located in the economically healthy Southeast, is**

nues. Fuel sources: coal, 73%; nuclear, 15%; hydro, 4%; oil and  
gas, 3%; pur. pwr., 5%. Fuel & Pur. Pwr. costs: 32% of '96 revs.  
Has about 31,850 employees, 187,055 shareholders. '98 deprecia-  
tion rate: 4.7%. Estimated plant age: 11 years. Chairman & CEO:  
A. W. Dahlberg, Inc. Del. Addr.: 64 Perimeter Center East, Atlanta  
GA 30346. Tel.: 404-393-0650. Internet: [www.southernco.com](http://www.southernco.com).

providing the cash flow necessary for expansion. Overseas ventures should support strong bottom-line growth over the next 3 to 5 years. The Southern Energy, Inc. (SEI) subsidiary may well account for 30% of corporate earnings by 2002. While management has increased its focus on the domestic market, where there's ample opportunity, foreign operations, as a whole, are benefiting overall results. Most notably, Saul, a sizable (1,200 megawatt) coal-fired project in the Philippines, has begun operating, and is now a nice contributor. Cost cuts are underway at the Western Power Distribution unit in the U.K. and a Bewag in Germany. These two large regulated businesses offer steady net-income flows. Also, an energy marketing subsidiary in the Netherlands holds exciting growth potential. Although we are positive on Southern's overseas foray, investors should note that there have been a few setbacks, namely in Argentina and Chile. In its favor, management is quick to react and has worked to divest businesses that don't live up to their original promise.

*David M. Reimer* *March 10, 2000*

*David M. Reimer*                      *March 10, 2000*

(A) Excl. nonrec. items: d40¢, '90, d35¢, '91, 16¢, '97, d16¢; '98, d33¢; '99, 3¢. Incl. severance chg.: '94, 9¢. Next reg. rpt. mid-Apr.  
(B) Next div'd meet. Apr. 20. Goes ex Apr. 28.

d pmt. dates: the 5th of Mar., June, Sep., Dec. • Div'd reinvest. plan avail. (C) Incl. d chgs. In '98, \$3.42/sh. (D) In mills., adj. split. (E) Rate base: AL, MS, fair val.; FL, GA, orig. cost. All'd return: 14.5%. Earn. on avg. cost of cap.: 10.5%. Reg. Clim.: AL, GA, MS, OK, TN, VA. (F) Excl. marketing revs

on com. eq.: 10.0%-	Company's Financial Strength	A
eq. '99: 13.43%	Stock's Price Stability	95
rg.; FL-Above Avg.	Price Growth Persistence	35
eq. '98.	Earnings Predictability	90

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UT'D WATER RES'S NYSE-UWR										RECENT PRICE	35	P/E RATIO	28.5 (Trailing: 30.4 Median: 16.0)	RELATIVE P/E RATIO	1.99	DIV'D YLD	2.7%	VALUE LINE		
TIMELINESS — Suspended 9/3/99										High: 20.5 17.9 16.5 16.6 16.6 15.9 14.8 14.1 17.5 19.8 25.0 34.5	Target Price Range							2002 2003 2004		
SAFETY 3 New 11/1/99										Low: 15.8 15.8 9.9 10.9 13.0 14.0 12.3 11.8 12.0 15.0 15.8 18.4										
TECHNICAL — Suspended 9/3/99																				
BETA .60 (1.00 - Market)																				
2002-04 PROJECTIONS																				
Price Gain Return																				
High Low 35 25 (NH) (-30%) 3% -4%																				
Insider Decisions																				
Options to Sell 0 0 0 1 0 0 1 0 0 0																				
Institutional Decisions																				
to Buy 38 40 42																				
to Sell 7241 7124 7654																				
Percent shares traded 3.0 2.0 1.0																				
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000																				
7.18 6.97 6.62 7.19 7.66 7.51 8.10 9.80 9.23 8.77 9.91 9.33 9.97 9.61 9.68 9.38 9.35 9.50																				
1.04 1.11 1.04 1.27 1.64 1.42 1.46 1.80 1.72 1.63 1.69 1.76 1.44 1.94 1.83 2.24 2.35 2.50																				
.75 .91 .71 .99 1.28 1.08 .86 1.10 .96 .87 1.03 1.01 .54 1.01 .83 1.17 1.15 1.30																				
.65 .67 .68 .70 .77 .84 .88 .88 .91 .92 .92 .92 .92 .92 .93 .96 .96																				
2.02 2.74 2.36 2.78 2.50 2.25 1.82 1.65 .92 .75 .79 1.83 2.14 2.16 2.30 2.63 1.90 1.75																				
6.12 6.49 6.80 8.05 8.79 8.94 8.84 9.10 9.33 9.55 10.00 11.17 10.90 11.33 11.53 12.01 14.10 14.35																				
11.93 13.86 14.42 16.25 16.69 16.62 16.47 16.79 17.52 18.80 20.22 31.39 32.88 34.55 36.30 37.97 39.00 40.00																				
10.2 8.7 14.0 14.9 14.2 16.8 19.3 11.9 14.7 16.7 14.7 13.5 24.2 13.9 21.5 15.9 22.5																				
.86 .81 1.14 1.01 .95 1.39 1.46 .88 .94 1.01 .87 .89 1.62 .87 1.24 .83 1.25																				
8.6% 8.5% 6.9% 4.8% 4.2% 4.6% 5.3% 6.7% 6.4% 6.3% 6.1% 6.7% 7.0% 6.5% 5.2% 5.0% 3.7%																				
CAPITAL STRUCTURE as of 9/30/99																				
Total Debt \$791.4 mill. Due in 5 Yrs \$140.0 mill.																				
LT Debt \$663.8 mill. LT Interest \$40.0 mill.																				
(LT interest earned: 2.1x)																				
Leases, Uncapitalized Annual rentals \$4.8 mill.																				
Pension Liability None																				
Pfd Stock \$57.1 mill. Pfd Div'd \$1.6 mill.																				
232,279 shs. 5%-9.84%, cum., (\$100 par);																				
2,296,278 shs. 5%, each convertible into .83333																				
sh. common.																				
Common Stock 38,865,445 shs.																				
as of 10/31/99																				
MARKET CAP: \$1.4 billion (Mid Cap)																				
CURRENT POSITION 1997 1998 9/30/99																				
(\$MILL.)																				
Cash Assets 43.1 56.5 36.9																				
Other 69.5 71.9 89.8																				
Current Assets 112.6 128.4 126.7																				
Accts Payable 40.2 36.5 42.2																				
Debt Due 82.9 99.2 127.6																				
Other 35.0 32.3 32.4																				
Current Liab. 158.1 168.0 202.2																				
Fix. Chg. Cov. 177% 181% 140%																				
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '96-'98																				
of change (per sh)																				
Revenues 2.5% 5% 5%																				
"Cash Flow" 3.5% 3.5% 6.5%																				
Earnings -1.0% 1.0% 7.5%																				
Dividends 2.0% 1.5% 1.5%																				
Book Value 3.0% 4.0% 5.0%																				
QUARTERLY REVENUES (\$ MILL.)																				
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year																				
1996 71.3 84.3 94.6 81.8 332.0																				
1997 80.0 87.8 99.7 83.9 351.4																				
1998 75.4 86.0 108.7 85.9 356.2																				
1999 79.2 91.8 107.4 86.6 365																				
2000 80.0 95.0 115 90.0 380																				
EARNINGS PER SHARE *																				
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year																				
1996 .15 .22 .46 .18 1.01																				
1997 .12 .32 .18 .21 .83																				
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2000 .15 .35 .50 .30 1.30																				
QUARTERLY DIVIDENDS PAID *																				
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year																				
1996 .23 .23 .23 .23 .92																				
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1998 .23 .23 .23 .24 .93																				
1999 .24 .24 .24 .24 .96																				
2000 .24 .24 .24 .24 .96																				
BUSINESS: United Water Resources, Inc. (formerly Hackensack Water Company) and its subsidiaries, General Waterworks Corp. (acq'd 4/94) and Spring Valley Water Company, supply water to 633,000 customers in 13 states. Revenue breakdown, '98: residential, 63%; commercial, 26%; industrial, 7%; other, 4%. Also owns a 20% interest in Northumbrian Water Group, a major water and wastewater co. in the U.K. Has about 28,100 wastewater customers and 7,339 miles of water mains. '98 reported divd. rate: 2.4%. Has 1,400 employees, 18,100 shareholders. Lyonnaise des Eaux owns 29.4% of common stock (3/99 proxy). Chairman & CEO: Donald L. Correll, Inc. NJ. Address: 200 Old Hook Road, Harrington Park, NJ 07640-1799. Tel.: 201-784-9434. Internet: www.unitedwater.com.																				
Shareholders of United Water Resources have approved Suez Lyonnaise des Eaux's takeover offer of \$35 a share in cash. The takeover terms call for United to pay a special dividend of \$0.48 a share to shareholders before the completion of the deal, and \$0.06 of this amount is now scheduled to be paid on March 1. The deal needs the approval of 10 states in which UWR owns regulated utilities. So far, it has already received clearance from Arkansas, Delaware, and Missouri. We expect that the takeover will be completed in April; therefore, at the stock's current quotation, shareholders will stand to earn only dividends until the merger is finalized. The regular per share dividend of \$0.24 plus the special dividend of \$0.48 represent a modest 2% total-return potential for investors who choose to hold on to their shares—a far cry from the 54% premium originally offered to shareholders in August when shares were trading at \$23. We believe that risk-tolerant investors looking for capital-appreciation potential can find more appealing total-return vehicles elsewhere. United, as a stand-alone entity, should																				
increase earnings in 2000. The company's nonregulated businesses, as a whole, posted a loss in 1999, but it is possible that they could enhance share net this year. UWR has about a dozen contract proposals for water and wastewater management in various stages of development, and roughly six of them have already been presented to cities. A few more deals should help create synergies that will make the division profitable for the next few years. Also, New York City recently awarded the company contracts worth \$8.5 million for water-meter repair and replacement services over a two-year period. Too, if temperatures become more normalized in 2000, as opposed to last year's drought conditions, earnings will be enhanced. The company will likely increase share net out to 2002-2004. Its strategy of growing its higher-margin nonregulated businesses, coupled with cost savings related to its third-quarter 1999 payroll initiatives, should boost earnings over the long haul. The stock's Timeliness rank continues to be suspended due to the takeover agreement. Joseph Espallat February 4, 2000																				

Consumers Illinois Water Company  
Indicated Common Equity Cost Rate  
Through Use of a Risk Premium Model  
Using an Adjusted Total Market Approach

Line No.		<u>Proxy Group of Seven Water Companies</u>	<u>Proxy Group of of Eight Utilities Selected on the Basis Least Relative Distance</u>
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	7.7 %	7.7 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	<u>0.6 (2)</u>	<u>0.6 (2)</u>
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	8.3 %	8.3 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	<u>0.0 (3)</u>	<u>0.1 (4)</u>
5.	Adjusted Prospective Bond Yield	8.3	8.4
6.	Equity Risk Premium (5)	<u>4.7</u>	<u>4.6</u>
7.	Risk Premium Derived Common Equity Cost Rate	<u>13.0 %</u>	<u>13.0 %</u>

Notes: (1) Derived in Note (3) on page 6 of this Schedule.

(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.58%, rounded to 0.6%, from page 4 of this Schedule.

(3) No adjustment necessary since the average Moody's bond rating of the proxy group is A2.

(4) One-third of the average yield spread of Baa over A rated public utility bonds of 0.15% (  $1 / 3 * 0.15\% = 0.05\%$ , rounded to 0.1%) from page 4 of this Schedule in order to reflect the average A3 Moody's bond rating of the proxy group.

(5) From page 5 of this Schedule.

Consumers Illinois Water Company  
Comparison of Bond Ratings and Business Profile for the  
Proxy Group of Seven Water Companies and the  
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

	February 2000 Moody's Bond Rating		February 2000 Standard & Poor's Bond Rating		Standard & Poor's Business Position / Profile (2)
	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	
<u>Proxy Group of Seven Water Companies</u>					
American Water Works Co., Inc. (3)	A3	7	A+ / A	5.5	3.0
Connecticut Water Service, Inc.	NR	--	NR	--	--
E'Town Corporation (4)	A2	6	A	6	3.0
Middlesex Water Company	A2	6	A+	5	3.0
Pennichuck Corporation	NR	--	NR	--	--
Philadelphia Suburban Corp. (5)	NR	--	AA-	4	2.0
United Water Resources, Inc. (6)	<u>A2 / A3</u>	<u>6.5</u>	<u>A+ / A</u>	<u>5.5</u>	<u>2.5</u>
Average	<u>A2</u>	<u>6.4</u>	<u>A+</u>	<u>5.2</u>	<u>2.7</u>
<u>Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance</u>					
Amer. Water Works Co., Inc. (3)	A3	7	A+ / A	5.5	3.0
Berkshire Energy Resources	NR	--	NR	--	--
CMS Energy Corp. (7)	Baa3	10	BBB-	10	5.5
Eastern Utilities Associates (8)	Baa1	8	BBB+	8	4
Energy West Inc.	NR	--	NR	--	--
Hawaiian Electric Industries, Inc. (9)	A3	7	A- / BBB+	7.5	6
Southern Company (10)	A1	5	Aa-	4	4
United Water Resources, Inc. (6)	<u>A2 / A3</u>	<u>6.5</u>	<u>A+ / A</u>	<u>5.5</u>	<u>2.5</u>
Average	<u>A3</u>	<u>7.3</u>	<u>A-</u>	<u>6.8</u>	<u>4.2</u>

- Notes: (1) From page 3 of this Schedule.  
(2) From Standard & Poor's Utilities & Perspectives, Vol. 7, No. 9, February 28, 2000.  
(3) Ratings and business profiles are a composite of those of New Jersey - American Water Company and Pennsylvania - American Water Company.  
(4) Ratings and business profile are those of Elizabethtown Water Company.  
(5) Ratings and business profile are those of Philadelphia Suburban Water Company.  
(6) Ratings and business profile are a composite of those of United Water New Jersey Inc. and United Waterworks Inc..  
(7) Ratings and business profile are a composite of those of Consumers Energy Co. and CMS Panhandle Pipe Line Co.  
(8) Ratings and business profile are those of Eastern Edison Co.  
(9) Ratings and business profile are a composite of those of Hawaiian Electric Co. and Maui Electric Co.  
(10) Ratings and business profile are a composite of those of Alabama Power Co., Georgia Power Co., Gulf Power Co., Mississippi Power Co. and Savannah Electric & Power Co.

Source of Information: Moody's Investors Service  
Standard & Poor's Global Utility Rating Service

Consumers Illinois Water Company  
Numerical Assignment for  
Moody's and Standard & Poor's Bond Ratings

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard &amp; Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

**Moody's**  
**Comparison of Interest Rate Trends**  
**for Investor-Owned Public Utility Companies**  
**for the Twelve Months Ending February, 2000 (1)**

Years	Corporate Bonds	Public Utility Bonds				Spread - Corporate v. Public Utility Bonds				Spread - Public Utility Bonds	
	Aaa Rated	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aaa (Pub. Util.) over	Aa (Pub. Util.) over	A (Pub. Util.) over	Baa (Pub. Util.) over	A over Aa	Baa over A
						Aaa (Corp.)	Aaa (Corp.)	(Corp. over Aaa)	Aaa (Corp.)		
Mar. 1999	6.62 %	6.78 %	7.11 %	7.26 %	7.55 %						
Apr. 1999	6.64	6.80	7.11	7.22	7.51						
May 1999	6.93	7.09	7.38	7.47	7.74						
June 1999	7.23	7.37	7.67	7.74	8.03						
July 1999	7.19	7.34	7.62	7.71	7.97						
Aug. 1999	7.40	7.54	7.82	7.91	8.16						
Sep. 1999	7.39	7.55	7.82	7.93	8.19						
Oct. 1999	7.55	7.73	7.96	8.06	8.32						
Nov. 1999	7.36	7.56	7.82	7.94	8.12						
Dec. 1999	7.55	7.74	8.00	8.14	8.28						
Jan. 2000	7.78	7.95	8.17	8.35	8.40						
Feb. 2000	7.68	7.82	7.99	8.25	8.33						
Spot - 03/17/00	7.64 %	7.83 %	7.96 %	8.25 %	8.38 %	0.19 %	0.32 %	0.61 %	0.74 %	0.29 %	0.13 %
Average of Last 3 Months	7.67 %	7.84 %	8.05 %	8.25 %	8.34 %	0.17 %	0.38 %	0.58 %	0.67 %	0.20 %	0.09 %
Average of Last 6 Months	7.55 %	7.73 %	7.96 %	8.11 %	8.27 %	0.18 %	0.41 %	0.56 %	0.72 %	0.15 %	0.16 %
Average of Last 12 Months	7.28 %	7.44 %	7.71 %	7.83 %	8.05 %	0.16 %	0.43 %	0.55 %	0.77 %	0.12 %	0.22 %
Average Spread (2)						0.18 %	0.39 %	0.58 %	0.73 %	0.19 %	0.15 %

Notes: (1) All yields are distributed yields.

(2) Equal weight has been given to the 12-month average, 6-month average, 3-month average and spot yield spread. This provides recognition of current conditions, but does not place undue emphasis thereon.

Source of Information: Moody's Investors Service

Consumers Illinois Water Company  
Judgment of Equity Risk Premium for the  
Proxy Group of Seven Water Companies and the  
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

<u>Line No.</u>	<u>Proxy Group of Seven Water Companies</u>	<u>Proxy Group of of Eight Utilities Selected on the Basis Least Relative Distance</u>
1.	Calculated equity risk premium based on the total market using the beta approach (1)	
	4.8 %	4.5 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	
	<u>4.6</u>	<u>4.6</u>
3.	Average equity risk premium	
	<u>4.7 %</u>	<u>4.6 %</u>

Notes: (1) From page 6 of this Schedule.  
(2) From page 8 of this Schedule.

Consumers Illinois Water Company  
Derivation of Equity Risk Premium Based on the Total Market Approach  
Using the Beta for the  
Proxy Group of Seven Water Companies and the  
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

Line No.		<u>Proxy Group of Seven Water Companies</u>	<u>Proxy Group of of Eight Utilities Selected on the Basis Least Relative Distance</u>
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-1999 (1)	13.3 %	13.3 %
2.	Arithmetic mean total return rate on the Salomon Brothers Long-Term High-Grade Corporate Bond Index 1926-1999 (1)	<u>(5.9)</u>	<u>(5.9)</u>
3.	Historical Equity Risk Premium	<u>7.4 %</u>	<u>7.4 %</u>
4.	Forecasted 3-5 year Total Annual Market Return (2)	18.0 %	18.0 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (3)	<u>(7.7)</u>	<u>(7.7)</u>
6.	Forecasted Equity Risk Premium	<u>10.3 %</u>	<u>10.3 %</u>
7.	Average of Historical and Forecasted Equity Risk Premium (4)	8.9 %	8.9 %
8.	Adjusted Value Line Beta (5)	<u>0.54</u>	<u>0.50</u>
9.	Beta Adjusted Equity Risk Premium	<u>4.8 %</u>	<u>4.5 %</u>

- Notes: (1) From Stocks, Bonds, Bills and Inflation - 2000 Yearbook - Market Results for 1926-1999, Ibbotson Associates, Inc., Chicago, IL, 2000.
- (2) From Note 1, page 3 of Schedule 16.
- (3) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated March 1, 2000 (see page 7 of this Schedule). The estimates are detailed below.

First Quarter 2000	7.7 %
Second Quarter 2000	7.7
Third Quarter 2000	7.7
Fourth Quarter 2000	7.6
First Quarter 2001	7.6
Second Quarter 2001	<u>7.6</u>
Average	<u>7.7 %</u>

- (4) Average of the Historical Equity Risk Premium of 7.4% from Line No. 3 and the Forecasted Equity Risk Premium of 10.3% from Line No. 6  $((7.3\% + 10.4\%) / 2 = 8.85\%$ , rounded to 8.9%).
- (5) From page 9 of this Schedule.



2 ■ BLUE CHIP FINANCIAL FORECASTS ■ MARCH 1, 2000

## Consensus Forecasts Of U.S. Interest Rates And Key Assumptions<sup>1</sup>

Interest Rates	History								Consensus Forecasts - Quarterly Avg.					
	Avg. For Week Ending				Month				1Q		2Q		3Q	
	Feb 18	Feb 11	Feb 4	Jan 28	Jan.	Dec.	Nov.	Latest Q 4Q 1999	2000	2000	2000	2000	2001	2001
Federal Funds Rate	5.75	5.71	5.66	5.43	5.45	5.30	5.42	5.31	5.8	6.1	6.3	6.3	6.2	6.2
Prime Rate	8.75	8.75	8.50	8.50	8.50	8.50	8.37	8.37	8.7	9.1	9.3	9.3	9.2	9.2
LIBOR, 3-mo.	6.11	6.11	6.10	6.10	6.09	6.08	6.15	6.13	6.1	6.4	6.5	6.5	6.5	6.4
Commercial Paper, 1-mo.	5.77	5.77	5.79	5.82	5.62	5.97	5.38	5.55	5.8	6.2	6.3	6.3	6.3	6.3
Treasury bill, 3-mo.	5.73	5.68	5.69	5.59	5.50	5.36	5.23	5.20	5.6	5.9	6.0	6.0	6.0	6.0
Treasury bill, 6-mo.	6.02	6.00	5.93	5.80	5.76	5.68	5.43	5.44	5.8	6.1	6.2	6.2	6.2	6.1
Treasury bill, 1 yr.	6.23	6.20	6.24	6.17	6.12	5.84	5.55	5.61	6.1	6.3	6.4	6.4	6.3	6.3
Treasury note, 2 yr.	6.65	6.68	6.61	6.48	6.44	6.10	5.86	5.94	6.5	6.6	6.6	6.6	6.5	6.4
Treasury note, 5 yr.	6.74	6.76	6.66	6.63	6.58	6.19	5.97	6.06	6.6	6.7	6.6	6.6	6.5	6.5
Treasury note, 10 yr.	6.55	6.62	6.58	6.68	6.66	6.28	6.03	6.14	6.6	6.6	6.6	6.5	6.4	6.4
Treasury bond, 30 yr.	6.23	6.30	6.33	6.57	6.63	6.35	6.15	6.25	6.4	6.4	6.4	6.3	6.3	6.2
Corporate Aaa bond	7.70	7.69	7.65	7.73	7.78	7.55	7.36	7.49	7.7	7.7	7.7	7.6	7.6	7.6
Corporate Baa bond	8.32	8.30	8.22	8.29	8.33	8.19	8.15	8.24	8.4	8.4	8.5	8.4	8.3	8.3
State & Local bonds	5.98	6.02	6.05	6.08	6.08	5.95	5.86	5.91	6.1	6.1	6.1	6.1	6.0	6.0
Home mortgage rate	8.38	8.36	8.25	8.25	8.21	7.91	7.74	7.83	8.2	8.3	8.3	8.2	8.2	8.1

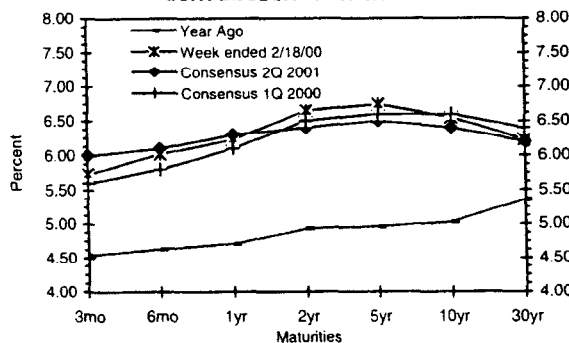
  

Key Assumptions	History								Consensus Forecasts - Quarterly Avg.					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
	1998	1998	1998	1998	1999	1999	1999	1999	2000	2000	2000	2000	2001	2001
Major Currency Index	95.2	96.6	98.2	93.0	93.4	95.5	94.5	92.7	93.4	92.8	92.3	91.4	91.3	91.2
Real GDP	6.7	2.1	3.8	5.9	3.7	1.9	5.7	6.9	3.6	3.4	3.1	3.0	2.9	2.9
GDP Price Index	1.0	1.1	1.4	0.9	2.0	1.3	1.1	2.0	1.9	1.9	1.8	1.9	2.0	1.9
Consumer Price Index	1.0	1.7	1.7	1.7	1.7	3.2	2.4	2.9	2.6	2.5	2.4	2.5	2.5	2.5

<sup>1</sup>Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal* and *Telerate*. Definitions reported here are same as those in FRSR H.15. All Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

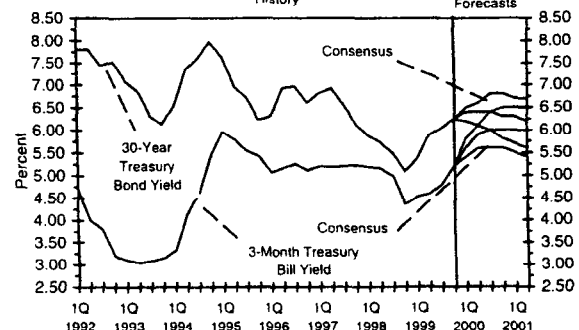
### U.S. Treasury Yield Curve

Week ended February 18, 2000 and Year Ago vs.  
1Q 2000 and 2Q 2001 Consensus forecasts



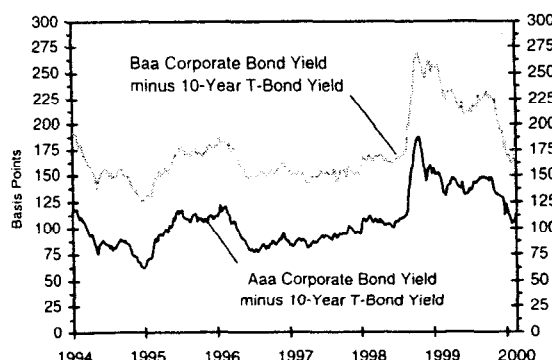
### U.S. 3-Mo. T-Bills & 30-Yr. T-Bonds

(Quarterly Average)  
History Blue Chip Forecasts



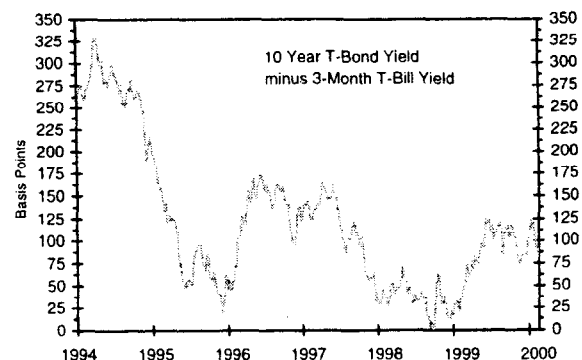
### Corporate Bond Spreads

As of week ended February 18, 2000



### U.S. Treasury Yield Curve

As of week ended February 18, 2000



Consumers Illinois Water Company  
Derivation of Mean Equity Risk Premium Based on a Study  
Using Holding Period Returns of Public Utilities

<u>Line No.</u>		<u>Over A Rated Public Utility Bonds</u>
		<u>AUS Consultants - Utility Services Study (1)</u>
		<u>1</u>
Time Period		1928-1999
1.	Arithmetic Mean Holding Period Returns (2): Standard & Poor's Public Utility Index	11.0 %
2.	Salomon Brothers Long-Term High-Grade Corporate Bond Index	(5.9)
3.	Equity Risk Premium	5.1
4.	Adjustment to reflect yield spread between A rated public utility bonds and bonds used in the study	(0.5) (3)
5.	Adjusted Equity Risk Premium	<u>4.6</u> %

- Notes: (1) S&P Public Utility Index and Long-Term Corporate Bonds (Salomon Brothers Long-Term High-Grade Corporate Bond Index year-by-year total returns 1928-1999, AUS Consultants - Utility Services, 2000.
- (2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.
- (3) Spread calculated as the difference in the arithmetic mean yields on A rated public utility bonds of 6.58% and Aaa and Aa rated corporate bonds of 6.12% used as a proxy for the Salomon Brothers Long-Term High-Grade Corporate Bond Index for the years 1928-1999, inclusive, 0.46%, rounded to 0.5%.

Consumers Illinois Water Company  
Value Line Adjusted Betas for the  
Proxy Group of Seven Water Companies and the  
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

	<u>Value Line Adjusted Beta</u>
<u>Proxy Group of Seven Water Companies</u>	
American Water Works Co., Inc.	0.50
Connecticut Water Service, Inc.	NA
E'Town Corporation	0.50
Middlesex Water Company	NA
Pennichuck Corporation	NA
Philadelphia Suburban Corp.	0.55
United Water Resources, Inc.	<u>0.60</u>
Average	<u><u>0.54</u></u>
 <u>Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance</u>	
American Water Works Co., Inc.	0.50
Berkshire Energy Resources	NA
CMS Energy Corp.	0.50
Eastern Utilities Associates	0.45
Energy West Inc.	NA
Hawaiian Electric Industries, Inc.	0.50
Southern Company	0.45
United Water Resources, Inc.	<u>0.60</u>
Average	<u><u>0.50</u></u>

Source of Information:

Value Line Investment Survey,  
January 7, February 4, February 18,  
March 10, 2000, Standard Edition

Consumers Illinois Water Company  
of the Capital Asset Pricing Model for the  
Proxy Group of Seven Water Companies and the  
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

Line No.		<u>Proxy Group of Seven Water Companies</u>	<u>Proxy Group of of Eight Utilities Selected on the Basis Least Relative Distance</u>
<u>Traditional Capital Asset Pricing Model</u>			
1.	Risk-Free Rate (1)	6.3 %	6.3 %
2.	Average Company-Specific Market Premium (2)	<u>5.3</u>	<u>5.0</u>
3.	Capital Asset Pricing Model Derived Company Equity Cost Rate	<u>11.6 %</u>	<u>11.3 %</u>
<u>Empirical Capital Asset Pricing Model</u>			
4.	Risk-Free Rate (1)	6.3 %	6.3 %
5.	Average Company-Specific Market Premium (2)	<u>6.2</u>	<u>6.2</u>
6.	Capital Asset Pricing Model Derived Company Equity Cost Rate	<u>12.5 %</u>	<u>12.5 %</u>
7.	Conclusion	<u>12.1 %</u>	<u>11.9 %</u>

Notes: (1) Developed in note 2 of page 4 of this Schedule.  
(2) Developed on pages 2 and 3 of this Schedule.

Consumers Illinois Water Company  
Indicated Common Equity Cost Rate Through Use  
of the Capital Asset Pricing Model

Value Line Adjusted Beta	Company-Specific Risk Premium Based on Market Premium of 9.9% (1)	CAPM Result Including Risk-Free Rate of 6.3% (2)
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Traditional Capital Asset Pricing Model (3)

Proxy Group of Seven  
Water Companies

American Water Works Co., Inc.	0.50	5.0 %	11.3 %
Connecticut Water Service, Inc.	NA	NA	NA
E'Town Corporation	0.50	5.0	11.3
Middlesex Water Company	NA	NA	NA
Pennichuck Corporation	NA	NA	NA
Philadelphia Suburban Corp.	0.55	5.4	11.7
United Water Resources, Inc.	0.60	5.9	12.2
Average	<u>0.54</u>	<u>5.3 %</u>	<u>11.6 %</u>

Proxy Group of Eight Utilities Selected  
on the Basis of Least Relative Distance

American Water Works Co., Inc.	0.50	5.0 %	11.3 %
Berkshire Energy Resources	NA	NA	NA
CMS Energy Corp.	0.50	5.0	11.3
Eastern Utilities Associates	0.45	4.5	10.8
Energy West Inc.	NA	NA	NA
Hawaiian Electric Industries, Inc.	0.50	5.0	11.3
Southern Company	0.45	4.5	10.8
United Water Resources, Inc.	0.60	5.9	12.2
Average	<u>0.50</u>	<u>5.0 %</u>	<u>11.3 %</u>

See page 4 for notes.

Consumers Illinois Water Company  
Indicated Common Equity Cost Rate Through Use  
of the Capital Asset Pricing Model

<u>Value Line Adjusted Beta</u>	<u>Risk Premium Based on Market Premium of 9.9% (1)</u>	<u>CAPM Result Including Risk-Free Rate of 6.3% (2)</u>
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Empirical Capital Asset Pricing Model (5)

Proxy Group of Seven  
Water Companies

American Water Works Co., Inc.	0.50	6.2 %	12.5 %
Connecticut Water Service, Inc.	NA	NA	NA
E'Town Corporation	0.50	5.0	11.3
Middlesex Water Company	NA	NA	NA
Pennichuck Corporation	NA	NA	NA
Philadelphia Suburban Corp.	0.55	6.6	12.9
United Water Resources, Inc.	0.60	6.9	13.2
Average	<u>0.54</u>	<u>6.2 %</u>	<u>12.5 %</u>

Proxy Group of Eight Utilities Selected  
on the Basis of Least Relative Distance

American Water Works Co., Inc.	0.50	6.2 %	12.5 %
Berkshire Energy Resources	NA	NA	NA
CMS Energy Corp.	0.50	6.2	12.5
Eastern Utilities Associates	0.45	5.8	12.1
Energy West Inc.	NA	NA	NA
Hawaiian Electric Industries, Inc.	0.50	6.2	12.5
Southern Company	0.45	5.8	12.1
United Water Resources, Inc.	0.60	6.9	13.2
Average	<u>0.50</u>	<u>6.2 %</u>	<u>12.5 %</u>

See page 4 for notes.

Consumers Illinois Water Company  
Development of the Market-Required Rate of Return on Common Equity Using  
the Capital Asset Pricing Model for the Proxy Group of Seven Water Companies  
and the Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance  
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

- (1) From the twelve previous month-end (Mar. '99 -Feb. '00), as well as a recently available (Mar. 17, 2000), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 18.0% can be derived by averaging the 12-month, 6-month, 3-month and spot forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 80%, produces a four-year average annual return of 15.83%  $((1.80^{25}) - 1)$ . When the average annual forecasted dividend yield of 2.18% is added, a total average market return of 18.01%, rounded to 18.0%, (2.18% + 15.83%) is derived.

The 12-month, 6-month, 3-month and spot forecasted total market return of 18.0% minus the risk-free rate of 6.3% (developed in Note 2) is 11.7% (18.0% - 6.3%). The Ibbotson Associates calculated market premium of 8.1% for the period 1926-1999 results from a total market return of 13.3% less the average income return on long-term U.S. Government Securities of 5.2% (13.3% - 5.2% = 8.1%). This is then averaged with the 11.7% Value Line market premium resulting in a 9.9% market premium. The 9.9% market premium is then multiplied by the beta in column 1 of pages 2 and 3 of this Schedule.

- (2) Average forecast based upon six quarterly estimates of 30-year Treasury Bond yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated March 1, 2000 (see page 7 of Schedule 15). The estimates are detailed below:

	<u>Treasury Bond Yield</u>
	<u>30-Year</u>
First Quarter 2000	6.4%
Second Quarter 2000	6.4
Third Quarter 2000	6.4
Fourth Quarter 2000	6.3
First Quarter 2001	6.3
Second Quarter 2001	6.2
Average	<u>6.3%</u>

- (3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_S = R_F + \beta (R_M - R_F)$$

Where  $R_S$  = Return rate of common stock  
 $R_F$  = Risk Free Rate  
 $\beta$  = Value Line Adjusted Beta  
 $R_M$  = Return on the market as a whole

- (4) The empirical CAPM is applied using the following formula:

$$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$$

Where  $R_S$  = Return rate of common stock  
 $R_F$  = Risk-Free Rate  
 $\beta$  = Value Line Adjusted Beta  
 $R_M$  = Return on the market as a whole

Source of Information:

Value Line Summary & Index  
Blue Chip Financial Forecasts, March 1, 2000  
Value Line Investment Survey, January 7, February 4, February 18, and  
March 10, 2000, Standard Edition  
Stocks, Bonds, Bills and Inflation - 2000 Yearbook Market  
Results for 1926-1999 Ibbotson Associates, Inc., Chicago, IL

Consumers Illinois Water Company  
Comparable Earnings Analysis  
for a Proxy Group of Eighteen Non-Utility Companies Comparable to  
the Proxy Group of Seven Water Companies (1)

Proxy Group of Eighteen Non-Utility Companies Comparable to the Proxy Group of Seven Water Companies (1)	Adj. Beta	Unadj. Beta	Residual Standard Error	Rate of Return on Net Worths or Partners' Capital						5-Year	5-Year
				1994	1995	1996	1997	1998		Average (2)	Projected (3)
BRE Properties	0.70	0.52	2.4955	14.4 %	10.6 %	8.0 5	7.0 %	7.9 %		9.6 %	11.5 %
Block Drug 'A'	0.60	0.33	2.9964	9.0	8.4	10.2	8.0	7.5		8.6	8.5
Chemed Corp.	0.70	0.49	2.6054	8.4	10.0	14.6	7.5	8.9		9.9	11.5
Consol. Papers	0.70	0.49	2.8200	8.5	19.8	14.1	9.0	7.9		11.9	11.5
Curtiss-Wright	0.65	0.41	2.4087	12.3	10.6	8.8	12.6	12.7		11.4	11.5
Hormel Foods	0.60	0.34	2.9698	17.8	16.5	11.2	13.2	15.0		14.7	16.5
Int'l Aluminum	0.60	0.36	2.5369	7.1	11.9	6.5	5.9	8.9		8.1	10.5
JSB Financial	0.70	0.49	2.5271	7.2	6.5	7.6	7.6	7.6		7.3	9.5
Luby's Inc.	0.65	0.44	2.4816	17.7	19.2	17.4	15.5	14.1		16.8	15.5
NCH Corp.	0.65	0.40	2.5047	11.3	12.1	11.5	9.6	11.6		11.2	10.5
RPM Inc.	0.70	0.50	2.6252	16.7	17.6	15.5	15.9	15.5		16.2	14.5
Selective Ins. Group	0.70	0.47	3.0330	11.6	12.1	11.7	12.3	8.8		11.3	10.5
Tecumseh Products 'A'	0.65	0.41	3.0144	15.3	13.6	12.2	10.0	9.8		12.2	10.5
Tennant Co.	0.55	0.27	3.0060	16.4	17.2	16.3	18.1	19.3		17.5	17.0
Tootsie Roll Ind.	0.70	0.48	2.7237	15.8	14.8	15.1	17.3	17.0		16.0	18.0
United Dominion R'ty	0.65	0.47	2.3764	6.2	5.8	4.5	4.2	3.1		4.8	5.0
Washington R.E.I.T.	0.60	0.37	2.7174	14.8	13.1	14.3	12.0	13.5		13.5	15.0
West Pharmac. Svcs.	0.50	0.23	2.6028	12.0	11.3	12.5	13.1	16.3		13.0	17.5
Average for the Non-Utility Group	0.64	0.42	2.6914								
Average for the Proxy Group of Seven Water Companies	0.53	0.24 (4)	2.6879 (5)								
Average - All Companies										11.9 %	12.5 %
Median - All Companies										11.7 %	11.5 %
Average - Excluding Highest & Lowest 10% (2 Companies each)										12.0 %	12.6 %
Conclusion (5)										11.6 % (6)	

See page 2 for notes.



Consumers Illinois Water Company  
Comparable Earnings Analysis  
for a Proxy Group of Eighteen Non-Utility Companies Comparable to  
the Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance (7)

Proxy Group of Eighteen Non-Utility Companies Comparable to the Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance (7)	Adj. Beta	Unadj. Beta	Residual Standard Error	Rate of Return on Net Worths or Partners' Capital							5-Year Average (2)	5-Year Projected (3)
				1994	1995	1996	1997	1998				
BRE Properties	0.70	0.52	2.4955	14.4 %	10.6 %	8.0 5	7.0 %	7.9 %			9.6 %	11.5 %
Chemed Corp.	0.70	0.49	2.6054	8.4	10.0	14.6	7.5	8.9			9.9	11.5
Curtiss-Wright	0.65	0.41	2.4087	12.3	10.6	8.8	12.6	12.7			11.4	11.5
Duke-Weeks R'ty	0.70	0.53	2.5716	5.9	6.5	7.1	6.4	7.1			6.6	7.5
Hannaford Brothers	0.75	0.55	2.6782	13.7	13.5	13.2	14.1	14.3			13.8	15.5
Int'l Aluminum	0.60	0.36	2.5369	7.1	11.9	6.5	5.9	8.9			8.1	10.5
JSB Financial	0.70	0.49	2.5271	7.2	6.5	7.6	7.6	7.6			7.3	9.5
Kimco Realty	0.75	0.56	2.1643	12.8	11.9	12.1	11.5	10.5			11.8	13.5
Liberty Corp.	0.75	0.55	2.6142	10.5	9.6	10.3	10.5	9.8			10.1	10.5
Luby's Inc.	0.65	0.44	2.4816	17.7	19.2	17.4	15.5	14.1			16.8	15.5
NCH Corp.	0.65	0.40	2.5047	11.3	12.1	11.5	9.6	11.6			11.2	10.5
National Presto Ind.	0.55	0.27	2.2381	8.8	7.7	6.0	6.8	7.8			7.4	9.0
RPM Inc.	0.70	0.50	2.6252	16.7	17.6	15.5	15.9	15.5			16.2	14.5
Tootsie Roll Ind.	0.70	0.48	2.7237	15.8	14.8	15.1	17.3	17.0			16.0	18.0
United Dominion R'ty	0.65	0.47	2.3764	6.2	5.8	4.5	4.2	3.1			4.8	5.0
Universal Foods	0.75	0.56	2.5250	17.9	15.7	17.4	17.0	17.9			17.2	18.5
Washington R.E.I.T.	0.60	0.37	2.7174	14.8	13.1	14.3	12.0	13.5			13.5	15.0
West Pharmac. Svcs.	0.50	0.23	2.6028	12.0	11.3	12.5	13.1	16.3			13.0	17.0
Average for the Non-Utility Group	<u>0.67</u>	<u>0.45</u>	<u>2.5220</u>									
Average for the Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance	<u>0.57</u>	<u>0.30 (8)</u>	<u>2.4366 (9)</u>									
Average - All Companies											<u>11.4 %</u>	<u>12.5 %</u>
Median - All Companies											<u>11.3 %</u>	<u>11.5 %</u>
Average - Excluding Highest & Lowest 10% (2 Companies each)											<u>11.4 %</u>	<u>12.5 %</u>
Conclusion (5)											<u>11.4 % (6)</u>	

See pages 3 and 4 for notes.

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Notes: (1) The criteria for selection of the proxy group of eighteen non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on net worth, common equity or partners' capital less than 20.0% for each of the five years ended 1998 or projected 2002 – 2004 as reported in Value Line Investment Survey (Standard Edition). The proxy group of eighteen non-utility companies was selected based upon the proxy group of seven water companies' unadjusted beta range of (0.04) - 0.52 and residual standard error of the regression range of 2.3336 – 3.0422. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's accompanying direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(2) Ending 1998.

(3) 2002-2004.

(4) The standard deviation of the proxy group of seven water companies' unadjusted beta is 0.0948.

(5) The standard deviation of the proxy group of seven water companies' residual standard deviation is 0.1181. The standard deviation of the residual standard deviation is calculated as follows:

$$\text{Standard Deviation of the Resid. Std.} = \frac{\text{Residual Standard Deviation}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years,  
N = 259

$$\text{Thus, } 0.1181 = \frac{2.6879}{\sqrt{518}} = \frac{2.6879}{22.7596}$$

(6) Based upon the 5-Year Average Historical Median and 5-Year Projected Median Return – All Companies as explained in Ms. Ahern's accompanying direct testimony.

(7) The criteria for selection of the proxy group of eighteen non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on net worth, common equity or partners' capital less than 20.0% for

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Comparable Earnings Analysis

each of the five years ended 1998 or projected 2002 – 2004 as reported in Value Line Investment Survey (Standard Edition). The proxy group of eighteen non-utility companies was selected based upon the proxy group of eight utilities selected on the basis of least relative distance's unadjusted beta range of 0.04 - 0.56 and residual standard error of the regression range of 2.1153 – 2.7579. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's accompanying direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

- (8) The standard deviation of the proxy group of eight utilities selected on the basis of least relative distance's unadjusted beta is 0.0864.
- (9) The standard deviation of the proxy group of eight utilities selected on the basis of least relative distance's residual standard deviation is 0.1071 (2.4366 ÷ 22.7596).